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THE FIRST FOUR MONTHS UNDER THE FARM ACT

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[Note.—This article was written by Mr. Peek for the New York Times and was published Sept. 17, 1933. Because of the comment it aroused, the Agricultural Adjustment Administration decided to publish it in pamphlet form, by special permission from the New York Times. It appears just as published in the Times as a correct survey of activity under the act up to Sept. 17.]

THE 4 months since May 12, when President Roosevelt signed the Agricultural Adjustment Act, seems to me to constitute the most amazing period in the history of American agriculture. That swift, brief period has seen the launching of undertakings which are without precise parallel, not only in the farming industry but also, I think, in any other industry in any country at any time.

In 6 weeks' time the cotton campaign was planned, set in motion, and completed. Checks now are going out to 1,000,000 farmers to pay $110,000,000 on their contracts to take more than 4,000,000 bales of cotton out of production. Even while the bursting bolls were being plowed under in the South, the campaign of restricting production of next year's wheat crop was swinging into its stride in the West.

The international wheat agreement, made possible by the Agricultural Adjustment Act and marking a historic attempt at worldwide cooperation in balancing wheat production with effective demand, has been signed in London. The Adjustment Administration at once brought this country's wheat reduction campaign into line with the international agreement, announcing that farmers will be required to pledge an acreage cut of 15 percent below their average plantings in order to qualify for benefit payments.

OTHER EMERGENCY MEASURES

An emergency program to lift the price of hogs by removing 5,000,000 swine from the market is now under way. Steps have been taken to protect peach growers in California, sweet-corn producers in the mid-West, tomato growers in New Jersey, and a host of

other farmers. A program for checking overproduction of cigar-leaf tobacco is well under way. A broad plan of immense importance to the South has been launched for flue-cured, Burley, and similar types. Growers of flue-cured tobacco have been signing up at a rapid rate during the past week. Plans for the rice producers are ready.

Meanwhile the Administration is continuing it efforts to reopen export markets to the surplus farm products of this country.

A marketing agreement designed to facilitate export of 30,000,000 to 35,000,000 bushels of wheat from the Pacific Northwest has been offered to the Administration. Domestically, this plan is important because prices in Atlantic and Gulf markets are threatened by shipments through the Panama Canal from the locally glutted Pacific region.

CUTTING WORLD SUPLUSES

Internationally, the plan is designed to carry out terms of the London wheat agreement and to help accomplish its purpose of disseminating world surpluses. Under the plan, losses on exports would be paid out of the existing 30-cent processing tax. The amount of exports would be within this country's quota of 47,000,000 bushels under the international wheat agreement. No wheat would be sold below the world price.

And if that seems an impressive summary, bear in mind that these things have been done by an organization which did not itself exist, even on paper, 4 months ago. Many operations have been set in motion while the units in charge still were in the process of being created. I wish I could pay adequate tribute to the devotion and perseverance of my associates who, to a man, have stuck to our job.

But flashing glimpses of these phases of the farm program, conveyed to the public bit by bit in the day's headlines, are less dramatic than the sweeping outlines of the emergency which has confronted agriculture, and which still in the main remains to be met. Secretary Wallace has rightly said that the Agricultural Adjustment Act has paved the way for economic planning for agriculture. The time for it is surely overdue.

PRICES AND THE DEPRESSION

Low farm prices of the past 12 years undoubtedly were one of the chief causes of depression. If between 1920 and 1932 farm commodities had possessed prewar purchasing power in terms of goods agriculture buys, the farmers' income would have been perhaps a score of billions of dollars more than it actually was at that period.

Loss of this purchasing power paralyzed American industry's richest potential market. In the heart of industrial New England last October, President Roosevelt in his Boston speech affirmed the truth that industry cannot prosper until agricultural buying power is restored, so that farm commodities again can be exchanged for fair quantities of the goods of mills and factories.

To be rightly understood, efforts of the Agricultural Adjustment Administration must be seen in the light of this background of depression. First came the tragedy of the loss of farm homes, human suffering in the rural regions caused by price declines wholly outside

farmers' control, and subsequent loss of markets by industries, unemployment, and hunger in cities. Then followed the enactment of this unusual legislation, with its fundamental purpose to restore farm prices to prewar parity.

Confronted by such an emergency as that, the Agricultural Adjustment Administration, with the full support of the President, has employed emergency measures. When possible, we planned them as part of a long-time program of farm betterment. If this was impossible, we acted to meet the existing emergency in the most practicable way. The farmer's house was afire. We had to act, and we did act.

THE COTTON CAMPAIGN

This explains the cotton campaign. Probably few people outside the Government know the magnitude and intensity of that effort. It engaged 22,000 volunteer workers in signing up farmers in the South, and 2,200 men and women, in three shifts, tabulating contracts in Washington. Among executives on the firing line in that campaign, besides Coadministrator Charles J. Brand and Director Chester C. Davis, were Oscar Johnston, Director of Finance, and Cully A. Cobb, Chief of the Cotton Production Section.

What was the cotton emergency? The world carryover of American cotton at the start of the campaign was estimated at 12,000,000 to 13,000,000 bales. This is the equivalent of a whole year's crop. The low farm price of cotton at 4 6 cents a pound had been reached in June 1932. So it was apparent that, unless drastic steps were taken, the purchasing power of the southern farmer would not be revived this year. Loss of the purchasing power is one penalty we pay for glutted markets, and breadlines become coincident with plenty.

So the Agricultural Adjustment Administration plunged into the campaign to restore King Cotton to his throne. By offering farmers benefit payments financed by the processing tax, in consideration of their cooperation, the Administration's program succeeded in taking 10,304,000 acres of cotton land out of production.

EFFECT OF THE PROGRAM

This means the difference between the 12,414,000-bale crop (Sept. 8 estimate) that is being harvested, and a probable yield of 16,561,000 bales, which, according to the Crop Reporting Board, would have been the third largest crop on record had the reduction campaign not prevented.

Elimination of 4,000,000 bales from this year's crop undoubtedly averted disaster in the South. The Crop Reporting Board is authority for the statement that if the potential crop of 16,500,000 bales had all been harvested, producers would have suffered ruinous prices.

Department of Agriculture economists calculate that the 1933 cotton-reduction program has added around a quarter of a billion dollars to this season's income of the cotton growers. This figure is based on the assumption that if a 16,000,000-bale crop had been piled on top of a 12,000,000-bale carryover the price would have been about 5½ cents a pound on the farm. The gross income from cotton, including benefit payments and option profits, is estimated at about

$700,000,000 this year as against $431,000,000 for last year's crop. This is $256,000,000 more than they would have received had the price been about $5\frac{1}{2}$ cents a pound.

The cotton campaign proved that, once their real interests are made clear, farmers will act concertedly and in cooperation with the Government. Some people said it could not be done. These doubting Thomases asserted the farmer would not cooperate with his neighbor. But the job was accomplished. It was a tribute to the cooperative spirit of the South.

The problem of cotton is still acute. No adjustments possible this year would be sweeping enough to solve the problem in a single season. The Agricultural Adjustment Administration knows that. We believe the cotton farmer knows it, too. The good work done this year must be carried on into the next if a larger measure of prosperity is to be brought back to the South.

Splendid cooperation of the southern farmer in the opening adventure on cotton is reassuring to Adjustment Administration executives as they plunge into the next great undertaking—the wheat campaign in the West. Chester Davis, M. L. Wilson, and George A. Farrell are to be in immediate charge of this effort.

INTERVENTION OF NATURE

Nature has intervened this year and at least temporarily has transformed the aspect of the wheat effort. There will be no destruction of wheat in this country this year. We hope never again, after 1933 has passed into history, need there be destruction of any maturing crop. Henceforth transition of land from surplus production into other uses, but not destruction of growing crops, is to be the aim and method. Efficiency which hitherto has been focused upon ever-increasing production now is to be given a new turn, with control of production itself as a part of efficient farming.

The wheat yield of 1933 has been reduced by adverse weather to the lowest in the last third of a century. Drought—a cruel and drastic remedy, spreading near-famine in some regions—has cut the current crop of 500,000,000 bushels far below domestic needs.

But because of the large American carry-over and world surplus wheat farmers are being asked to pledge 15 percent reduction of next year's acreage. But they do not have to plow under a spear of this year's crop. Payments amounting to about 28 cents a bushel on that portion of the crop ordinarily consumed as human food in this country are to be made in consideration of cooperation in reducing next year's yield.

AN EDUCATIONAL CAMPAIGN

In recent weeks the Agricultural Adjustment Administration has used the county-agent system and the extension service in an educational campaign to acquaint farmers with the essentials of the wheat problem. We have sought to teach farmers how the income from wheat fades away under the burden of surplus production, so that prices, relieved of the dead weight of oversupply, may rise toward parity.

A 15-percent reduction in acreage, on the basis of a theoretically complete signup by farmers and perfect fulfillment of contracts,

would mean about 9,600,000 fewer acres of wheat and 124,000,000 bushels less than the average production of 844,000,000 bushels.

The Adjustment Administration concentrated attention at first on wheat and cotton because they are regarded as the key American crops; their prices seem to have important effects upon prices of other agricultural commodities. In the national and international fields, the efforts placed in motion under the Agricultural Adjustment Act represent genuine attempts to get at and remove the underlying causes of the depression. The wheat plan will continue through 1934 and 1935, calling for reduction in those years if and as required.

While fighting to get supplies of wheat and cotton back into better balance with effective demand, the machinery of the new farm law has been geared to attack the pork problem. The drastic nature of the remedy now being applied has been made known to the whole country. Everyone knows how a processing tax not to exceed half a cent a pound is to finance the purchase of a maximum of 4,000,000 pigs and 1,000,000 sows, and how Harry Hopkins, of the Emergency Relief Administration, has arranged to distribute the edible pork products thus obtained to hungry and destitute people.

But perhaps the public has not seen so clearly the nature of the emergency necessitating such a remedy. American exports of pork and lard in 1932 were the smallest in 50 years. Farm prices of hogs since 1920 have averaged the fair pre-war exchange value only in one marketing year, 1925–26, and corn prices in all that time attained pre-war parity only during the short-crop year of 1924. Hog prices this year have declined while corn prices went up. This decline has decreased enormously the purchasing power of the swine grower.

HOG OUTPUT AND PRICES

The emergency plan adopted is the first step taken to bring prices of hogs back to a parity with the prices of things the farmer buys. On June 1 this year the outlook was for a fall pig crop 20 percent above the average and the largest for any year since 1923.

With an excess of pigs, a short crop of corn to feed them, and the income of the growers down to ruinous levels, we planned our emergency move. The little pigs are on the way to market now. Until means were found to regulate the volume, the plan in its first few days was so successful that it embarrassed the Administration. The offerings of pigs taxed the capacity of packing houses and stockyards. We now know we shall get the 4,000,000 pigs, but this purchase may yet be neutralized if farmers decide to keep their sows at home to mother more surplus little pigs next spring.

This emergency program will be followed soon by development of a more permanent plan for adjustment of production for both corn and hogs. We are determined to bring the income of the Corn Belt back up toward parity. Meanwhile, the Adjustment Administration has undertaken a wide field of activities of a nature little known to the public. Efforts are being made to help growers of all the perishable fruits and vegetables, nut crops, beans, potatoes, poultry, and eggs, besides many other miscellaneous agricultural products.

USE OF PRORATE PLANS

In attempting to bring supply into normal relationship with effective demand, an effort is being made to accomplish what various cooperative marketing associations often have tried. Passage of the Adjustment Act for the first time opens the way for effective use of prorate plans which heretofore have failed when tried in States or localities.

Though they are not so well known to the general public, the marketing agreement and licensing sections of the farm bill permit us to strike out in an entirely new direction for the benefit of agriculture. This important part of our work is under direction of William I. Westervelt, Director of the Marketing and Processing Division, which he has effectively organized and is operating.

Several of these agreements between associations of producers and distributers already have been executed by Secretary Wallace, always with parity prices for farmers as the first essential purpose. These agreements provide an unprecedented opportunity to seek to prevent waste in distribution, and undertaking of benefit alike to producers and consumers. Distribution costs went up during the war and since then they have not declined to economic levels.

The spread between what the farmer gets and what the consumer pays has not narrowed nearly so much as both farmer and consumer have a right to expect. So-called "service charges", which are figured into our food bill in this country, cost too much. The difference in reward between growing food and processing and distributing it seems almost grotesque.

PROFITS BY CORPORATIONS

Of 15 companies reporting the largest corporate profits in this country in 1932, 9 dealt in food and tobacco. Our biggest tobacco companies reported last year a total net profit of about $150,000,000. That was almost as great as the entire amount of money they paid American farmers for their tobacco crop.

Such a situation, with the big distributors of farm crops making enormous profits over and above high costs of distribution, while farm prices were lowest in American history, requires scrutiny. Any economies that can be effected by marketing agreements in distribution costs obviously should go to the producer and the consumer.

My own view is that we are suffering in this country from an overcapacity of industrial facilities for which both the farmer and the consumer are paying. There is more competition for the consumer's dollar than there are consumers' dollars. Agriculture is cutting down its plants, but a large part of industry is still trying to maintain boom-time capacity and capital values. This is being done at the expense of farmers and consumers.

The public should no longer tolerate it. Industry must reduce its overcapacity. It cannot look for its relief by taking it out of the farmer's hide. This may mean smaller corporate profits, but fair-minded and intelligent business men know that they stand only to gain, in the end, by increasing the farmer's buying power. If the

attempt were made to clamp down on him again it would mean cutting the ground out from under the whole recovery program. I believe everybody in the Nation should understand that.

MILK-PRICE AGREEMENTS

The Administration has placed in operation the first of a rapidly lengthening procession of marketing agreements drafted to assure dairy producers in the larger milksheds of the United States a fair price for the fluid milk sold to metropolitan consumers. These agreements are effectuated with the assistance of a license, increasing prices to producers, prohibiting excessive retail prices of fluid milk, and inducing the industry generally to observe the price schedules and rules of fair competition adopted for protection of dairy farmers.

Agreements have been adopted and executed for Chicago, Philadelphia, Detroit, and Minneapolis and St. Paul. Many others are pending. Plans are being drafted to supplement these milk agreements with assistance for the butter industry and dairymen outside the milksheds. A marketing agreement for the cling-peach industry of California will enormously increase the income of farmers in that region this year.

PROTECTING THE CONSUMER

While these efforts have been launched for the farmers, the Agricultural Adjustment Administration has taken action in several instances to protect the consumer against rises in prices higher than those received by agriculture.

The Adjustment Administration has not been able to perform any miracles. It does not promise anything of the kind. Administration executives all are aware that the plight of agriculture still is severe. We realize that immense tasks yet remain to be done to secure for agriculture its rightful place in the national economy.

Though still indefensibly low, agricultural income has turned upward. The farm price of wheat in February, just before inauguration, was 32.3 cents. As this is written the comparable price is about 74 cents. In spite of this year's crop failure and still unsatisfactory returns, prices have risen sufficiently so that the farmer may get approximately $325,000,000 for his wheat as against $177,000,000 last year. In addition, he will have about $120,000,000 from his benefit payments. Corn prices and oats prices, also due no doubt in part at least to the short crop, have risen from 19 to 48 cents and 13 to 32 cents, respectively. These are farm prices.

FARM INCOME THIS YEAR

The Department of Agriculture estimates that gross farm income this year will be $6,360,000,000, exceeding that of last year by more than $1,200,000,000. But this is not clear gain, since already about one third of the increase is offset by higher prices on things farmers buy.

Supporting the work we are doing in the Agricultural Adjustment Administration, the Farm Credit Administration has made a direct

attack upon the problem of farm indebtedness. This is a separate unit of government, not connected with the Agricultural Adjustment Administration. In segregating all the Federal farm lending activities, including those of the abolished Federal Farm Board, that Administration has done work of the greatest importance to agriculture, facilitating in many ways what the Adjustment Administration has attempted.

FARM PRICES AND CITY PAY ROLLS

In addition, the efforts of the National Recovery Administration are of much immediate significance to farmers. Just as industry will benefit by an increase in agricultural buying power, so, too, farmers will be able to sell their products more rapidly and at better prices when city pay rolls and purchasing power are restored to normal. Examples are prices of dairy and pork products, which follow closely the upward trends in pay rolls. The farm and industrial recovery programs are complementary, and each will profit greatly from success of the other.

This article does not endeavor to describe all the many forms of assistance to agriculture made possible by the Adjustment Act. It does, however, outline some of the efforts which, in the face of many obstacles, have been undertaken in the 4 months since the President signed the Act.

I think that the American people are strongly for the success of our efforts. I think they understand now that the prosperity of the Nation depends upon the return of prosperity to agriculture.

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